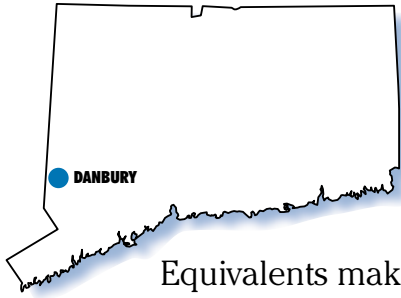


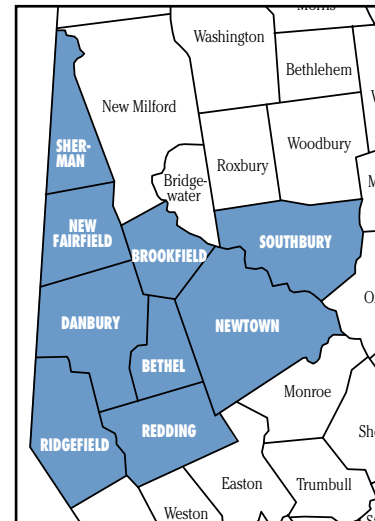
DANBURY HOSPITAL

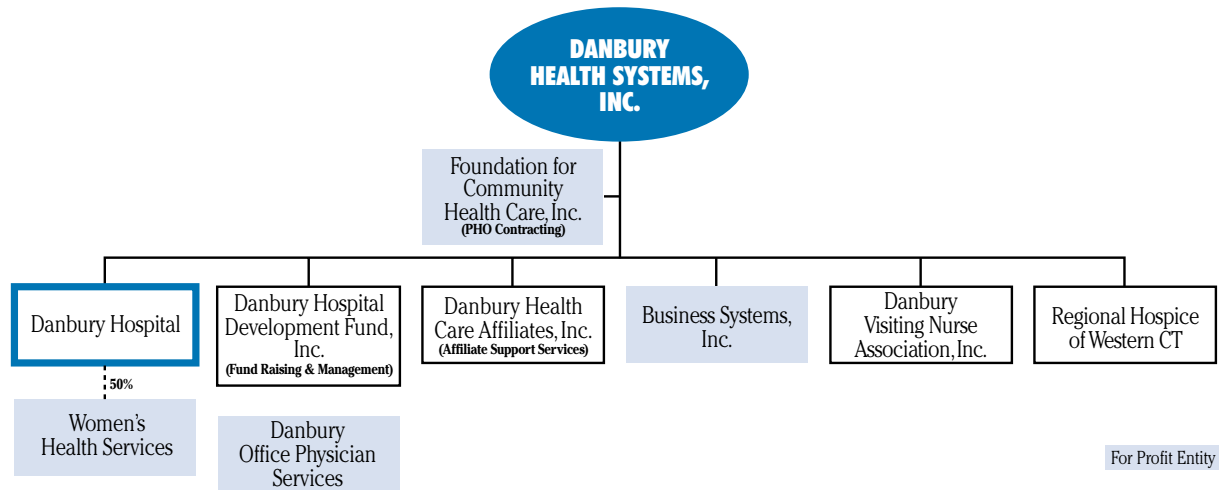
The Danbury Hospital, founded in 1885, is located in Danbury and, in addition to that city, primarily serves eight other towns. It also serves as a regional referral center for



the residents of western Connecticut and southeastern New York. In FY 1999, the hospital staffed 297 of its 371 licensed beds and employed 1,747 Full Time

Equivalents making it the largest employer in the western Connecticut corridor. The Danbury Hospital provides training and education for approximately 60 interns and residents each year through residency programs with the Yale University School of Medicine, the University of Connecticut School of Medicine, and the New York Medical College. The Danbury Hospital is a component of Danbury Health Systems, which is not affiliated with any other hospitals. The hospital's average age of plant is 10.6 years as compared to the U.S. average of 9.2 years.



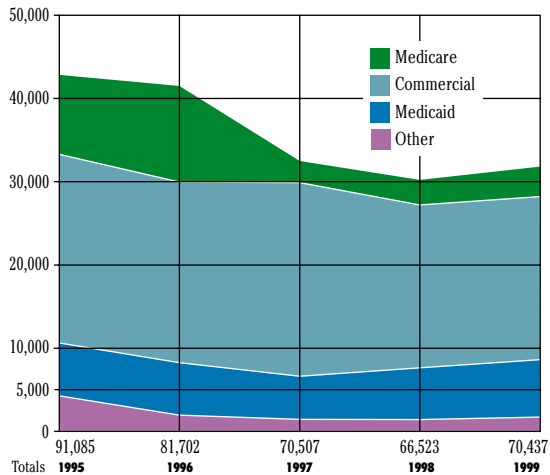


MARGINS	1997	1998	1999
Total margin	5.05%	6.81%	5.44%
Operating margin	1.98%	3.68%	3.61%

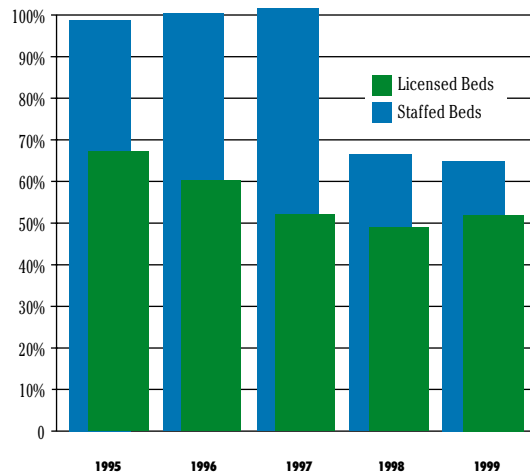
PAYMENT TO COST RATIOS BY PAYER			
Ratio of cost to charges	.59	.57	.55
Medicare Payment to Cost	.94	.95	.95
Medicaid Payment to Cost	.68	.68	.71
Private Payment to Cost	1.27	1.28	1.26
Uncompensated Care Cost	\$9,597,513	\$8,247,154	\$8,992,495
Total expenses	\$159,462,074	\$170,684,375	\$180,607,795
Uncompensated care % of total expenses	6.02%	4.83%	4.98%

CAPITAL STRUCTURE RATIOS			
Equity financing ratio	44.40%	47.85%	44.43%
Debt service coverage	5.11	4.81	4.76

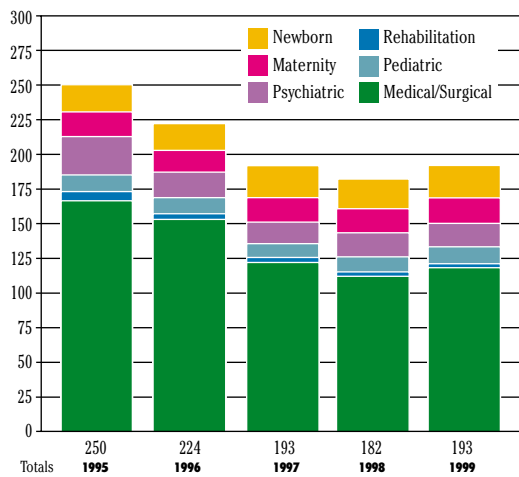
LIQUIDITY MEASURES			
Days of expenses in accounts payable	74.23	78.74	79.68
Days cash on hand	48.90	58.39	53.40
Days of revenue in accounts receivable	52.49	65.42	72.01



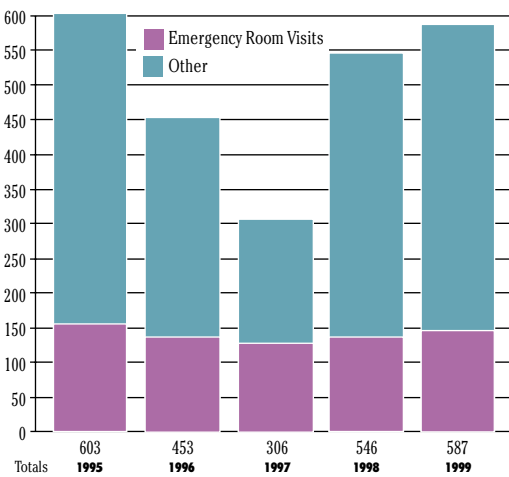
PATIENT DAYS BY PAYER



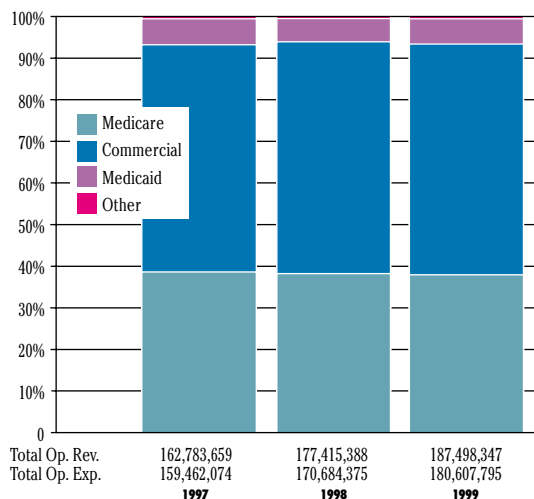
AVERAGE OCCUPANCY



AVERAGE DAILY CENSUS BY SERVICE



AVERAGE DAILY OUTPATIENTS



NET PATIENT REVENUE BY PAYER

KEY PERFORMANCE DRIVERS

- ◆ In 1997, Danbury Hospital began a two-year work redesign initiative aimed at reducing hospital costs. To date, the effort has achieved \$14 million in annualized cost savings, and has helped the hospital maintain its positive operating margins.
- ◆ In the past three years, Danbury Hospital's inpatient volume has remained steady while outpatient volume has grown significantly.
- ◆ Danbury Hospital has estimated a \$30 million decrease in revenue between 1998 and 2000 associated with the Balanced Budget Act of 1997.
- ◆ Management indicates that the hospital's aging physical plant will need substantial investment in the next several years.
- ◆ Despite implementing an aggressive utilization review program for pharmaceuticals, hospital drug expenses increased by 16 percent in the past year.
- ◆ Due to the statewide nursing shortage, Danbury has focused its hiring on entry-level nurses. The hospital must then spend well over \$10,000 training each nurse to assure appropriate skills are available to patients.

SITE VISIT ISSUES RAISED BY HOSPITAL MANAGEMENT

Cost Management. Management partially attributes the hospital's financial success to the work redesign process that began in 1997, a time when the hospital was realizing healthy margins.

Revenue Growth. The hospital is attempting to grow volume and revenue through a series of initiatives, including expanding physician practices into surrounding towns.

Staffing Shortage. The hospital is experiencing a severe staffing shortage, both in patient care areas and in support and administrative areas such as information systems.

Inter-State Competition. The CON process in Connecticut has traditionally defined "service area" as a subset of the state. Danbury's management believes that the State of Connecticut must also recognize service needs and competition from nearby states.

Capital Investment. The aging physical plant and need for new capital equipment are pressing priorities for investment. Assuring adequate capital for these projects will remain a key focus.